

Samsung Electronics profit slips on virus, more falls forecast

April 29 2020, by Sunghee Hwang



Analysts expect Samsung's smartphone and consumer electronics business to be hit by further drops in consumer demand

The world's biggest smartphone maker, Samsung Electronics, said Wednesday that net profits in the first quarter were only slightly

impacted by the coronavirus pandemic but warned of further falls to come as demand is "significantly" hit by the disease.

reported on Wednesday that net profits fell slightly in the first quarter as the coronavirus pandemic dampened consumer demand, but warned of further falls to come.

Net profits in the January-to-March period were 4.88 trillion won (\$4 billion), down 3.1 percent from a year earlier, the company said in a statement.

The January-March performance was "partially due to effects of COVID-19", Samsung said in a statement.

And it said it expects weaker results in the next three months, adding that "uncertainties driven by COVID-19 will persist" into the second half.

The firm is the flagship subsidiary of the giant Samsung Group, by far the largest of the family-controlled conglomerates known as "chaebols" that dominate business in the world's 12th-largest economy.

The figures come as the coronavirus pandemic wreaks havoc across the world economy—earlier this month Samsung had operations suspended at 11 overseas assembly lines—with expectations rife of a looming global recession.

In the second quarter, it warned: "Overall earnings are likely to decline from the previous quarter because COVID-19 will significantly impact demand for several of its core products."

Memory demand "is expected to remain robust for servers and PCs as more people work from home", it said.

But "sales and profits of set products business, including smartphones and TVs, are expected to decline significantly as COVID-19 affects demand and leads to store and plant closures globally".

Woody Oh, a researcher at Strategy Analytics, said the first-quarter results showed only "a slight impact" from the virus outbreak, which emerged in China and spread to the US, Europe and India—Samsung's key markets.

"But the real impact will show in the second quarter," he said, adding almost all companies will report their worst results in April-June as the effects of the pandemic become clear.

Samsung Electronics shares closed down 0.2 percent in Seoul at 50,000 won.

Forecast to grow

Samsung had pinned its hopes for 2020 on a rollout of its new 5G and premium smartphones including its latest folding Galaxy Z flip phone.

"While a contraction of the global smartphone market is expected as a result of the COVID-19 outbreak, demand for 5G smartphones is forecast to grow," DJ Koh, president of Samsung's mobile division told the firm's shareholder meeting last month.

Global smartphone sales dropped 14 percent year-on-year in February, according to the latest data from market researcher Counterpoint Research, although Samsung's sales remained stable as it has limited exposure to the heavily hit Chinese market.

A report by market researcher TrendForce this month showed Samsung's chip business may take a hit in the second half from shipment

disruptions caused by virus lockdowns.

"Some of Samsung's back-end server DRAM packaging operations are based in Luzon, the Philippines. Therefore, the continued quarantine of Luzon may affect the shipment schedule of Samsung's server DRAM modules," it said.

Overall, the Taiwan-based market researcher said it expects the rebound of memory chip prices to be "flattened" as the coronavirus pandemic dampens demand from the latter half of the year.

Adding to Samsung Electronics' challenges, its vice chairman and de facto leader Lee Jae-yong is currently being re-tried over a sprawling corruption scandal that could see him return to prison.

He is not being held in custody during the proceedings, but a guilty verdict could deprive the firm of its top decision-maker.

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Citation: Samsung Electronics profit slips on virus, more falls forecast (2020, April 29) retrieved 2 May 2024 from

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